



TOWN OF HERNDON MARKET ANALYSIS—Principles

RESIDENTIAL MARKET PRINCIPLES

There are two sectors of the multi-family housing market that are currently underserved in Herndon. First, there is a demand for senior housing, in the each of the active-adult, age-restricted, and assisted-living categories. Second, there is demand for housing for young professionals looking for a “sense of place.” There are thousands of young professionals in western Fairfax County and eastern Loudoun County, and many of them are looking for an affordable housing option that is more than just another sprawling and suburban apartment or condominium complex. Herndon has the ingredients in place to attract this type of residential tenant with its existing amenities in the downtown core. The selection of multi-family properties—both rental and condominium—in the primary trade area is limited, and a quality development with thoughtful planning and design in close proximity to downtown will attract this type of tenant, who has few other options. Generally speaking, a variety of residential development types including single-family, townhomes, multi-family for-sale and rental, as well as live-work space, will be important to the downtown revitalization effort in Herndon. It is our opinion that there is a market for up to one thousand new multi-family units of these types over the next ten years.

Overall, we contend that:

- 1) Residential development in many different forms will be important to the downtown revitalization effort in Herndon because retail needs a built-in population to be viable. Various housing product types will capture varying tenant types, thus diversifying the consumer base downtown and increasing retail viability and demand.
- 2) Multi-family units that are platted as condo can be rented and converted at a later date, allowing for easier entry into the marketplace; as such, this could be a viable alternative here. In Virginia, this is a perfectly legal and precedented development model.
- 3) Live-work space could be a viable residential/commercial alternative here, but only in key, high visibility locations in the downtown core (unlike that planned as part of the Fortnightly project). Often times, live-work space is poorly located, causing it to fail. Authentic live-work space was the root of most American cities in the late 19th and early 20th centuries and remains a viable development type if executed properly.
- 4) The town should consider an active adult or age restricted community as a viable tenant for downtown. This type of user would provide a steady income flow for the municipality while providing another consumer base for downtown’s shops, restaurants, and local businesses.
- 5) The town must embrace the family ideology of the community, offering for-sale single-family and townhome housing options close to the core, like what Stanley Martin is currently constructing.

6) The pricepoint of some of the new residential development downtown should be moderate in order to attract a younger demographic that will patronize downtown establishments as well as the Town's many activities, concerts, markets, etc. You must be priced competitively in order to vie for the attention of this demographic, who are usually interested in greenfield apartment communities because of their relatively limited resources.

OFFICE MARKET PRINCIPLES

Overall, we contend that:

- 1) Downtown Herndon cannot and should not try to compete with its high-profile, regional Toll Road identity.
- 2) The municipality should embrace the buildings along Herndon Parkway as a great revenue generator but not attempt to woo tenants away from them to downtown. There is a vast pool of professional service tenants that are located in sub-par buildings along Elden Street that should be targeted for relocation.
- 3) The Town should institute incentives and/or incubation programs to attract tenants to locate their businesses downtown. Promoting small business development downtown should be one of the Town's most important objectives.
- 4) The Town should make the building process as easy as possible for those willing to locate their businesses downtown. A "green-tape" municipal ideology should be adopted to the extent possible.
- 5) Live-work space could be a viable residential/commercial alternative here, as discussed in the previous section, as long as it is well-located. Office condos may also be appropriate as the market stabilizes. Professional loft office above retail will remain a viable commercial office type in downtown Herndon, catering to professionals like doctors, lawyers, graphic designers, attorneys, real estate brokers, etc.
- 6) New businesses should be clustered near the commercial core to support local businesses.

RETAIL MARKET PRINCIPLES

Successful retail depends on a high concentration of people. While Herndon's population is strong, the amount of existing retail per capita is quite high, like our primary and secondary trade area polygons, which boast retail per capita figures of 34.81sf/person and 41.06sf/person, respectively. The national average for retail space per capita is 22-25sf/person. In order to compete, therefore, Herndon must either add retail to expand its trade area and generate more demand or reposition what's already there. Many offerings in the downtown core exist more because of low rents than because of a need for these services. Some of the retail that does not perform or work well should be weeded out. A market study paired with a detailed and focused retail merchandising strategy can help to determine which retail of these uses are superfluous, and can also identify opportunities for co-tenancy and synergy. These efforts will become the basis for a branding and placemaking strategy designed to increase awareness of

downtown Herndon as a destination within the regional market. As indicated by the demand analysis included on the previous page, we contend that an additional 70,000-100,000sf of retail/restaurant/entertainment space could be supported in Downtown Herndon over the next decade with incomes between \$25-35/sf NNN.

Overall, we contend that:

- 1) An increased critical mass of retail in downtown Herndon can only be achieved once more people live and work downtown—retail follows people, not the other way around.
- 2) The Town must develop a strong tenant retention and recruitment program. There are some quality retail tenants located outside of downtown along Elden Street in sub-par environments. Like office tenants, they should be targeted for relocation downtown. Incentives and/or incubation programs will be important in achieving this objective.
- 3) Meaningful, contributing historic buildings should be converted into commercial space when appropriate and if possible. Some structures that are considered “historic” by the town, however, do not add to the built environment and could be replaced by a more modern, efficient, and successful building/use.
- 4) The Town should develop and implement a clear merchandising strategy for Downtown Herndon that is more heavily geared toward service/dining/entertainment/specialty retail than industrial/automotive uses.
- 5) Implement a building facade treatment program to support tenants’ image.
- 6) The Town should play off the W&OD Trail and the strength of existing community programming as amenities.
- 7) The Town should develop a comprehensive branding strategy for the town as well as for retailers themselves. Cross-marketing and promotion will be key, as will a “green-tape” process for approvals.